

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

AGRICULTURAL COOPERATION

LEGAL, ECONOMIC, AND ORGANIZATION INFORMATION COLLECTED BY THE DIVISION OF COOPERATIVE MARKETING,
BUREAU OF AGRICULTURAL ECONOMICS, UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

December 20, 1926

Vol. IV, No. 26

TEN YEARS OF COOPERATIVE ACTIVITY

Various shifts in the relative importance of the different sections of the country as centers of cooperative activity have taken place since 1915. Furthermore, there have been shifts in the relative importance of the various commodity groups.

By far the greater part of the cooperative buying and selling by farmers in 1915 was in the twelve North Central States and the three Pacific Coast States. In 1915 the seven North Central States west of the Mississippi River were credited with 47 per cent of all the functioning associations, with 39 per cent of the farmers participating in cooperative buying of farm supplies or the collective selling of farm products, and with 45 per cent of the total business transacted. The leading states in this group were Minnesota and Iowa.

The five North Central States east of the Mississippi River in 1915, claimed 18 per cent of all the associations, 16 per cent of the membership and 14 per cent of the business. Although not important relatively in 1915 in number of associations, the Pacific Coast States were important in regard to volume of business handled, nearly 24 per cent of the entire cooperative business for the year being transacted by the associations in the three states.

During the ten years ending with 1925, cooperative activity increased in the country as a whole and in every section of the country except possibly a few remote corners. However, the development was much greater in some sections than in others, and in consequence the cooperative map of 1925 is very different from that of 1915. The greatest increase in number of associations for the ten-year period occurred in the five East North Central States, Michigan, Wisconsin, Illinois, Indiana, and Ohio. There were also large percentage gains in the number of associations in New York and Pennsylvania.

Membership more than doubled in all of the nine groups of states. In the eight South Central States the increase was more than 700 per cent. The increase for the South Atlantic States including Delaware and Florida was over 600 per cent, and the increase in the Northern States east of the Mississippi river was over 435 per cent. The least amount of gain in membership occurred in the Pacific Coast States, 112 per cent.

At the close of 1925, 31 per cent of the total membership was in the West North Central States, 21 per cent in the East North Central group, 11 per cent in the East South Central States, and 9 per cent in the West South Central States.

Volume of business increases, as measured in dollars, were even greater for the ten-year period than the increases in number of members. In the West South Central States, the East South Central States, the South Atlantic States and the New England States, the amount of business handled in 1925 was more than 1,000 per cent greater than the amount of business transacted in 1915. The increase for the East North Central States was 520 per cent, and for the Mountain States, 246 per cent.

Thirty-five per cent of the total cooperative business for 1925 was transacted through the associations in the West North Central States, 23 per cent by the associations in the East North Central States and 12 per cent by those in the three Pacific States.

In 1915 the associations engaged in the marketing of grain formed the most important group. They were credited with 25 per cent of the membership and handled 45 per cent of the total cooperative business. This group is still the dominant group although not of as great relative importance as formerly. There was an increase of 104 per cent in the number of grain associations for the ten years, an increase of 211 per cent in the number of members in such organizations, and an increase of 159 per cent in the amount of business transacted by the associations marketing grain.

The associations marketing dairy products increased 29 per cent in number between 1915 and 1925, increased 227 per cent in regard to number of members, and handled 500 per cent more business at the end of the ten years than at the beginning.

There was an increase of over 1000 per cent in the number of active livestock shipping associations for the ten-year period. These associations enjoyed an increase of over 2800 per cent in number of members and an increase of over 5000 per cent in amount of business transacted. At the close of 1925 they were credited with 13 per cent of the the total cooperative business.

There were fewer cotton associations and fewer tobacco associations in 1925 than in 1915. However, there was a gain in membership for each group of more than 1500 per cent. The increase in amount of business for the cotton association for the ten years was 9887 per cent. and for the tobacco marketing associations, nearly 1300 per cent.

NEW YORK CHEESE ASSOCIATION PAYS DIVIDEND

Earnings totaling nearly \$6,000 were distributed to member units of the St. Lawrence County Cheese Producers' Cooperative Association, Inc., Gouverneur, N. Y., at a banquet held recently. The checks which ranged from \$200 to more than \$500 represented the earnings for about seven months. The association, which is a federation of local associations, was formed five years ago by the representatives of seven cheese factories. Since that time twelve other factories have joined the organization. More than 200 people attended the banquet.

-----0-----

TORONTO CREAMERY PAYS PATRONAGE DIVIDEND

"The most successful year in its history" is reported by the United Farmers' Cooperative Company, Ltd., Toronto, for the year ending September 30, 1926. The Creamery Branch has recently distributed a patronage dividend of 3 cents per pound of butterfat for the six months ending September 30, 1926. This dividend, the sixth to be distributed since the beginning of 1924, amounted to \$46,920. The total dividend earned during 1926 was \$80,837, and the six patronage dividends to date have reached a total of \$124,837.

(Information about this company was published in this circular January 4, 1926, page 21.)

-----0-----

MICHIGAN MILK PRODUCERS HAVE SUBSTANTIAL RESERVE

At the close of business on September 30, 1926, the Michigan Milk Producers' Association, Detroit, had a net worth of \$138,737. A considerable portion of this amount was represented by bonds, stocks, mortgages and certificates of deposit.

The revenues of the associations for the 1925-26 business year ending September 30, were \$103,767. The expenses of operation were \$83,385, leaving \$20,381 as a net gain.

This association of 10,000 producers of fluid milk is a bargaining organization, representing its members in price negotiations with milk distributors. The association was formed at a mass meeting of about 500 milk producers, held at East Lansing, Mich., in the late spring of 1916. It now operates in Detroit, Grand Rapids, Flint, Saginaw, and Ann Arbor.

COOPERATIVE MILK MARKETING IN CLEVELAND

At the close of the third quarter of 1926 the Ohio Farmers' Cooperative Milk Association, Cleveland, had \$513,104 invested in land, buildings and equipment. Its capital was represented by producers' reserves amounting to \$153,232, loans covered by certificates of indebtedness amounting to \$264,885, and memberships amounting to \$24,010.

The association was organized in 1922, was reorganized in 1923, and in 1924 was reincorporated under the Ohio Cooperative Act of 1924. It now has nearly 5,000 members and is handling fluid milk with a sales value of from \$5,000,000 to \$6,000,000 a year. Primarily this association was formed as a bargaining organization, and bargaining with the distributors is still its chief function. In addition to this activity, however, the association operates trucks for the collection of fluid milk from its members, delivers the milk to the distributors in the city, collects from the dealers, and pays the farmers.

The past year a large plant has been erected for the manufacture of surplus milk into butter, cheese and condensed milk.

-----0-----

HEAVIER SALES FOR DANISH CREAMERY

Business to the amount of \$2,165,812 was transacted in 1926 by the Danish Creamery Association, Fresno, Calif., according to the report of the manager, dated February 13, 1926. This was a 10 per cent increase over the business of 1924, due partly to the fact that the prices of butter averaged higher than in the previous year, and partly to larger sales of dried buttermilk. The quantity of butter made was 4,250,271 pounds, or 132,000 pounds less than made in 1924. Of this quantity 1,569,771 pounds was sold locally and 2,680,500 pounds was shipped to the Challenge Cream and Butter Association, Los Angeles, the sales agency for this and several other cooperative creameries. The increase in local sales was about 6 per cent over 1924.

The demand for dried buttermilk at the close of the business year was greater than the supply, and the company had to add skim milk to the product to fill orders.

The statement of earnings shows expenditures for the year of \$257,111, including \$115,951 for manufacturing, \$41,299 for hauling, \$38,817 for selling, and \$44,552 for administration. An 8 per cent dividend was paid on \$40,250 of capital representing membership fees, and the sum of \$36,880 was credited to working capital.

(See Agricultural Cooperation, March 30, 1925, p. 128.)

SPECIAL COMMITTEE REPORTS ON LAND O'LAKES CREAMERIES

An independent study of each of the departments of the Land O'Lakes Creameries, Inc., Minneapolis, has been made by a special committee appointed by the board of directors at the July meeting. After three months' work the committee presented its report. The work of the association was studied from the following angles: (1) Relations between member creameries and the central association; (2) machinery and supply department; (3) butter sales department; (4) financing the association; (5) the organization itself.

Under the first point, the work of the association in building up and maintaining the membership was commended, and the importance of the field service and the employment of intelligent and qualified men was stressed. The committee was satisfied that considerable progress had been made in improving the quality of the field service.

A careful investigation of the machinery and supply department, which is now purchasing supplies to the amount of \$1,500,000 annually, convinced the committee that it was operating with great profit to the association and was in a position to handle all purchases for every department. It was recommended that this should be retained as a department of the association instead of being organized as a subsidiary with separate incorporation, as had been proposed.

The committee found that the butter sales department had a clearly defined policy for building up sales of print butter and that good progress was being made in carrying out its program, also, that the average creamery is receiving more for its butter than before the organization of the association.

The development of revenue from by-products and other sources was commended and it was suggested that the finance committee make a further investigation of the executive offices in order to eliminate duplication of effort.

In view of the tremendous business being done by the association it was recommended that weekly meetings should be held by the executive committee and monthly meetings by the board of directors in order that the association may have a unified and continuous policy, and that the president and general manager may have the counsel of the executive committee in carrying out the policies approved by the board of directors.

It is reported by the management that a strong demand for butter, cheese and eggs has been developed in Minneapolis, St. Paul, and Duluth since the association, formerly the Minnesota Cooperative Creameries, Inc., began selling sweet cream butter in February, 1924. It is now possible to buy Land O'Lakes butter and cheese in nearly every store in Minneapolis and St. Paul, and the association also operates seven trucks in the Twin Cities and two in Duluth, from which salesmen deliver butter, cheese and eggs. Over 200,000 pounds of butter is sold each month in the Twin Cities alone.

FARMERS' TERMINAL SALES AGENCY AT ENID, OKLAHOMA

Approximately 2,000,000 bushels of grain was handled by the Union Equity Exchange, Enid, Okla., during its first four months of operation. It is estimated by the management that the sales costs amounted to only one-fourth of one cent a bushel.

This farmers' business enterprise began operating in June, 1926. When an examination of the accounts was made on October 27, it was found that a profit of over \$6,000 had been made. The commissions received for selling grain amounted to \$11,963 and the expenses for the period were \$5,950. Among the expenses were those entailed by the organization and incorporation of the company. It is stated by the management that there will be further gains as soon as accounts sales are rendered on 200 cars of grain not included in the October statement.

-----0-----

INCREASED BUSINESS FOR INDIANA WHEAT GROWERS

The report of the secretary-treasurer of the Central States Soft Wheat Growers' Association, Indianapolis, for its second year of activity was issued in November. This association was formed early in the year 1924 under the name of the Indiana Wheat Growers' Association and was incorporated July 2, 1924. It received 1,524,250 bushels of wheat of the 1924 crop which was sold for \$2,377,475. Approximately 6,800 members were served the first season. The second year 3,157,000 bushels of wheat were received from 18,000 members.

As wheat growers in Illinois and Ohio had joined the association for the purpose of securing marketing service the name was changed in July of 1926 to the Central States Soft Wheat Growers' Association.

About 19,000 growers are now members of the association. Up to November these members had delivered 3,826,000 bushels of wheat of the 1926 crop to their marketing organization. At the present time more than 900 country elevators are cooperating with the association in the receiving and forwarding of grain. The association has under lease a new million-bushel storage elevator in Indianapolis with an option to purchase at original cost at the expiration of three years. In addition the association has arrangements for storage space in Cincinnati, Evansville, Nashville and Terre Haute.

Among the benefits claimed for the association by the management are: (1) decreased handling charges, (2) settlement with members on the basis of grade of wheat produced, (3) direct selling to mills, (4) stimulation of interest in soft wheat, and (5) control of terminal elevator facilities by farmers.

YAKIMA APPLE GROWERS CLOSE PRE-SEASON POOLS

Returns from 37,167 boxes of Jonathan apples in four pre-season pools brought members of the Yakima Fruit Growers' Association, Yakima, Wash., \$44,882. It is stated by the management that although 35 per cent of the apples were "C" grade, and 31 per cent were small, a high average price was obtained, presumably because of a definite demand.

----0----

TWENTY CANNING PLANTS FOR INDIANA COOPERATORS

Twenty canning plants were established and operated in 1925 by the Indiana Canning Crops Exchange, with an output of 112 cars of canned tomatoes which were shipped to 37 cities in 9 states. A large share of this output was sold under the Farm Bureau brand label. Sales amounted to \$177,701. Owing to slow sales and the necessity for holding a large portion of the pack in storage until outlets could be found, the producers did not receive as high returns as were expected. Due to this unsatisfactory market condition the average for the 1926 season was reduced and only six of the factories were operated. The Exchange aided its members this season by selling tomatoes to about 20 commercial factories. These sales amounted to \$150,000.

----0-----

SOUTH AFRICAN FRUIT EXCHANGE REORGANIZED

The formal reorganization of fruit marketing in South Africa was completed on August 31, 1926, by the creation of the Fruit Exchange. Ltd., according to a consular report from Cape Town. A Federal Board was created to take charge of all overseas work, including representatives, propaganda, advertising, and supervision, also arrangements with shipping companies, and other functions.

For the purpose of dealing with producers the Fruit Exchange of South Africa, Ltd., was divided into two special bodies known as the South African Cooperative Citrus Exchange, and the South African Cooperative Deciduous Exchange. These organizations will handle the work of their respective groups, including the purchase of fertilizers and machinery, and will aid the Federal Board in connection with local propaganda. For the present the central office of the Fruit Exchange and the South African Deciduous Exchange is to be located at Cape Town, and the headquarters of the citrus group at Pretoria.

It is believed that with this reorganization the shipments can be handled more advantageously, more favorable rates can be secured, and the movement regulated to conform with the market demands of England and the Continent.

ARKANSAS GROWERS SIGNING NEW COTTON CONTRACT

Good progress is reported by the Arkansas Cotton Growers' Cooperative Association, Little Rock, in its campaign for signatures to the new contract. On November 18, 2,408 signatures had been secured, of which 1,127 were old members and 921 were growers who had never been members of the association. On the same date the association had received 42,901 bales of 1926 cotton, compared with 41,698 on the same date last year.

-----0-----

PERUVIAN COTTON GROWERS MAY ORGANIZE

Cotton growers in Peru are considering a plan for the formation of a cooperative marketing association, according to a report from the Assistant Trade Commissioner at Lima. The plan was first presented to the National Agrarian Society, a committee of which recommended that it be discussed at the general meeting of cotton growers. The meeting was held in October and an organization committee was appointed. As none of the cotton planters have had experience in cooperative marketing it is felt that it will require considerable time to work out fully the details for a successful enterprise. The last Peruvian cotton crop is reported as consisting of 200,000 bales, half of which had been exported by September 1 last.

-----0-----

TEXAS COTTON ASSOCIATION TO MAKE DECEMBER PAYMENT

A December distribution to its members is being planned by the Texas Farm Bureau Cotton Association, Dallas, on a basis "as substantial as market conditions will justify." The distribution will be on classed cotton only and will be made on actual grade, weight and staple. Former December distributions have all been made on a flat per-bale basis.

The management believes that one of the outstanding benefits of cooperative marketing to the grower is that he can have his cotton properly graded and classed by experts and sold according to its true character and intrinsic value. In the five crops handled by the association 76.62 per cent of the cotton received graded middling and above; 20.84 per cent, one inch or better staple; and 72.63 per cent, seventh-eighths to one inch staple. These figures, it is stated, contrast forcibly with the average classification in the interior markets, and indicate an advantage in selling according to quality.

An improvement has been made by the association in the amount of its initial advances to growers. The per cent of money paid on delivery of cotton has increased from 34 per cent of settlement value the first year, to 69 per cent the past season.

CONNECTICUT POULTRY PRODUCERS INCREASE BUSINESS

There was an increase in both membership and volume of business during the second year of activity of the Connecticut Poultry Producers, Inc., New Haven. This association, which markets eggs in New Haven, Hartford, Waterbury, Torrington and Bridgeport, began operating with 126 members on October 3, 1924. By the close of the first year its membership had increased to 156 and it had handled 14,942 cases of eggs in 49 pools. There was, however, an operating deficit of \$3,676, the volume of business not having been large enough, on the basis of 10 per cent of sales for expenses, to meet all the costs of operation.

Profiting by the experience gained the first year the association completed the second year of activity with an operating profit of \$1,356 to its credit. During the second year, ending September 28, the membership was increased from 156 to 187, with 80,000 birds, and this despite the fact that there were 26 withdrawals during the year. The increase in volume of business was from 14,942 cases the first year to 17,575 cases the second, and total sales increased from \$214,317 to \$250,721. Total income increased from \$24,187 the first year to \$25,398 the second. At the same time operating expenses were reduced by \$3,882.

The larger items among the many making up the total expense are for management, labor, automobile operation, transportation, rent, printing, insurance and postage.

The capital of the enterprise consists of membership fees of \$25 collected from each member, and a reserve accumulated by a deduction of 2 per cent from returns to members. The total of membership fees and reserve as of September 28 was \$9,200.

In his annual report the manager states that 82.9 per cent of the eggs received by the association were of the highest grade. The average pool price for the last year was 47.7 cents a dozen compared with 47.8 cents for the preceding year.

In making suggestions for the future, the manager urges that an effort be made to increase the membership so that a larger part of the egg output of the state will be handled by the association. He also suggests that an effort be made to secure more nearly uniform prices for the various consuming centers of the state, and that the association undertake to obtain a wider distribution for the product handled. Request is made that members deliver only a "superlative quality egg" and that members try to increase production during the summer and fall months. It is also recommended that a publicity committee be appointed to see that the association receives its due attention in the daily press and farm publications. It is proposed to use direct mail advertising as a means of increasing demand for the association's product during the period of peak production.

INDIANA FARM BUREAU PURCHASES MANY SUPPLIES

Supplies to the value of \$2,303,316 were handled by the Indiana Farm Bureau Purchasing Department, Inc., during the year ending October 31, 1926. The greater part of the business represented wholesale transactions, the retail sales amounting to less than \$250,000. The various commodities handled at wholesale, with the quantities and values, were as follows:

	Quantity	Value
Fertilizer	25,018 tons	\$789,416
Feeds	13,760 "	571,040
Coal	37,600 "	225,600
Seeds	11,521 bu.	176,991
Lubricating oils	328,538 gal.	197,123
Binder twine	797,300 lbs.	103,649
Total (wholesale)		\$2,063,819

Increases over the business of the preceding year were as follows: fertilizer, \$43,000; coal, \$31,000; seeds, \$38,000; and binder twine, \$25,000. There was a decrease of \$150,000 in the value of feeds handled, which was largely due to the increased production of feeds on Indiana farms, and to the closing out of the feed stores operated by the Department in various parts of the state.

Patronage dividends for the year amounted to \$128,693. In addition, the discount in connection with the seed sales amounted to \$12,097.

The manager, through his annual report, attempts to accomplish three things. First, he aims to advise as to the exact status of the enterprise; second, to offer frank, constructive criticism as to the activities of the past year; and, third, to make suggestions directed toward improvements in the service rendered the membership.

Among the suggestions is one urging that a portion of what might be used as patronage dividends be set aside for the purpose of increasing the working capital and that certificates of indebtedness be issued to cover the amount retained in the business. Another suggestion is that a plan be worked out whereby the county organizations will be given a financial interest in the enterprise and a voice in the control of the business.

QUEENSLAND PRODUCERS PLANNING TO REORGANIZE

Efforts are being made in Queensland, Australia, to aid the farming industries by welding into one organization the Queensland Producers' Association, the Commodity Boards and the Mixed Farming Boards. A bill providing for the consolidation of existing groups has been prepared and submitted to the various groups for comment and approval. Under the provisions of the bill the producers will be organized entirely on a commodity basis and representatives from the various groups will be selected to form a Council of Agriculture to cooperate with the Agricultural Department and other bodies to look after the interests of the producers.

Commodity boards may be formed on practically the same basis as at present, that is, a group of fifty growers of a commodity may petition the Governor in Council to have a board declared for that particular industry. The existing system of local producers' associations will remain.

A new provision of the bill is for the appointment of a Director of Marketing who will be, ex officio, a member of all commodity boards which undertake marketing functions.

-----0-----

ONE OF DENMARK'S EARLY COOPERATIVES

The fiftieth anniversary of the formation of one of the earliest cooperative associations in Denmark was celebrated on November 6, at Pilger, Nebr. by a group of natives of Denmark now located near Pilger. Officials of the Farmers' Union were also in attendance.

The man who called the group together in Denmark 50 years ago participated in the celebration. He said, "Our organization was at first intended as a buying agency, for which we bought at wholesale and sold to ourselves through a small store, of which I was manager. But we soon found that it had to be a selling agency as well as a buying agency, as we had to take butter and eggs in exchange for goods, that being the only thing they had to pay with."

A single keg of butter, about 30 pounds, was sent to London to a "consumers' union," which sent word that if the Danish farmers could ship butter in larger quantities the union would buy, "so we got the English consul to take our butter, and for a small commission he furnished capital to pay for it. The result was that we got a premium for our butter. It was not long before all the big farmers joined us in shipping their butter."

The next undertaking was a swine slaughtering house, built by the members who bound themselves to sell to no other than the cooperative for ten years. There was a fine of 100 kroner about \$26, for selling outside the association.

LARGE BUSINESS REPORTED BY BRITISH COOPERATIVES

Figures published by the Cooperative Union, Manchester, England, show that the membership of the British cooperative societies increased more in 1925 than in any year since 1920, and the trade of the societies increased 144,000,000 during the year. These increases are considered remarkable in view of the industrial disputes and the amount of unemployment in Britain in that year.

Statistics are published for 1,420 societies, 25 less than for the year 1924. Twenty-one societies were amalgamated with others, nine were dissolved, and five new ones formed. Some figures for the 1924 and 1925 seasons are as follows:

	1924	1925
Share capital	£ 91,926,203	£ 97,793,229
Loan capital	48,844,473	67,182,132
Reserve funds	13,471,675	15,455,051
Stocks at the end of 1925	-----	31,819,888
Trade	281,590,901	295,828,010
Net surplus	21,396,596	23,211,134
Retail trade of the movement	175,077,825	183,584,049
Membership (all types of societies).....	4,752,636	4,960,883
Workers employed in all types of societies.....	195,434	• 204,366

Wages paid to productive workers during 1925 totaled £12,339,847, and to distributive workers, £ 13,987,267.

Nine hundred forty-one societies reported savings bank departments with deposits of £4,205,731.

Share interest to the amount of £3,617,886 was paid, leaving a net surplus of £16,861,894, or 9.18 per cent of retail sales. The sum of £162,168 was set aside for educational purposes, compared with £145,968 in 1924.

The productive and service societies have a total membership of 38,186 with £1,681,623 of share capital and business amounting to £5,844,380. They employ 11,923 workers and the operations of the year resulted in a surplus of £389,917.

The Cooperative Wholesale Society has a membership of 1,171 societies, with £6,192,341 of share capital, £43,066,709 of loan capital, a distributive trade of £76,585,764, or 51.70 per cent of the retail distribution of England, Wales, and Ireland, and a productive output valued at £28,073,014.

STATE COOPERATIVE LAW PROVIDES FOR AUDITS

Among the provisions of the Pennsylvania Cooperative Act of 1919 is one which requires all associations incorporated under it to have their accounts audited at the close of each business year, and also requires that the reports prepared by the auditors shall be submitted to the membership at its next meeting. This is a wholesome provision. First, all associations should have their records gone over annually by men skilled in the examination of accounts. Examination by an auditing committee from the membership is of little value in pointing out poor business methods or preparing statements of financial condition. Second, the findings and suggestions of the auditors should be brought to the attention of the membership in a formal way. Furthermore, such presentation should be made by someone who is able thoroughly to explain the statements.

Where the expense of putting the auditors' reports in printed form and supplying copies to each member of the organization is not unreasonably great, this should be done. If printing seems expensive, mimeographed copies should be provided. Associations which publish house organs can well afford to give space in their publications to auditors' reports. It may be that not all members are able to understand thoroughly or interpret correctly the financial statements that are required to set forth all the essential facts. However, the number of persons who can reach sound conclusions after a study of a financial statement is on the increase, and sane and common-sense explanations of the items will still further increase this number. Frequently the number of members in an association who can profit by an examination of annual reports is larger than is generally supposed. The important thing is that all members be encouraged, by consistent contact with such reports, to learn their meaning.

There are other reasons why the annual audits should be printed and given wide distribution. Financial and operating statements show the results achieved through carrying out the policies inaugurated by the management. In explaining these policies, and the results of their operations, a management receptive to new ideas cannot fail to get new points of view from member-producers and others.

The selection of auditors for a cooperative enterprise is a responsibility that belongs to the board of directors. Under no circumstances should they seek to shirk their duty. Too often the audit is omitted because of the expense involved. Frequently the auditor asking the lowest fee is selected for the work regardless of his ability. A poor audit, no matter how low the cost, is money wasted; a good one is insurance against many business pitfalls.

A. V. Swarthout.

OFFICERS HAVE NO INHERENT POWERS

Neither the president nor any other officer of a cooperative association or any other type of corporation has inherent power simply by virtue of his office to enter into contracts on behalf of the association that are binding upon it (Kelly Convertible Wagon Company v. Rhodes Manufacturing Company, W. Va., 135 S. E. 242). Officers of a corporation, cooperative or otherwise, are simply agents and have only the authority that has been conferred upon them by the corporation. If no authority has been conferred upon an officer to enter into a contract, the officer has no such authority and any contract entered into by him on behalf of the corporation is not binding upon it by reason of the fact that the officer executed it.

Generally the officers of a corporation have only that authority and those powers that have been conferred upon or delegated to them by the board of directors. Every person dealing with a corporation of any type should ascertain if the officer who is to execute the contract for the corporation has been authorized either specially or generally to do so. If an officer has entered into contracts of a particular type which have been recognized by the corporation, this would estop the corporation from raising any question regarding the right of the officer to make a contract of that type with a person with whom the corporation had previously contracted through the officer. Again, if a corporation received the benefit of a contract made by an officer on its behalf, it is generally held liable thereon. If a corporation holds out an officer to the world as possessing certain authority, as by having him in active charge of the business, contracts made by him within the scope of his apparent powers are binding on the corporation. The law upon this general subject was summarized by the Supreme Court of New Jersey in the case of Aerial League of America v. Aircraft Fireproofing Corporation, 79 N. J. Law 530, 117 A. 704, as follows:

A corporation is bound by the act of an officer or agent only to the extent that the power to do the act has been conferred upon such officer or agent expressly by the charter, by-laws, or corporate action of its stockholders or board of directors, or can be implied from the powers expressly conferred, or which are incidental thereto, or where the act is within the apparent powers which the corporation has caused those with whom its officers or agents have dealt to believe it has conferred upon them.

L. S. Hulbert.

OKLAHOMA COURT RENDERS IMPORTANT DECISION

The Supreme Court of Oklahoma, in the case of Conningham v. Oklahoma Wheat Growers' Association, 250 P. 71, reversed the judgment of the trial court in favor of the association, because the by-laws of the association did not comply with the statute under which the association was formed, in that they made no provision for the withdrawal of members of the association. This decision was based upon earlier cases of the Supreme Court of Oklahoma involving similar facts.

L. S. Hulbert

----0----

RECEIVER DENIED FOR DARK TOBACCO ASSOCIATION

On November 30, 1926, the Federal District Court at Louisville, Kentucky, in an opinion not yet officially reported, denied the application of twenty members of the Dark Tobacco Growers' Cooperative Association of Hopkinsville, Kentucky, for a receiver therefor. The court, however, enjoined the association from using assets of the association for the payment of obligations of its subsidiary warehousing corporations, and stated that later a master would be appointed for the purpose of taking evidence and establishing the rights of the individual members to the returns from their tobacco.

On October 13, 1925, the directors of the association passed a resolution which stated that the association would waive its right to liquidated damages from its members who sold their tobacco outside the association, but in the resolution there was a statement urging the members to be loyal to the association and to deliver their 1925 crop of tobacco thereto. The court held that this resolution was in fact intended as a release of the members from delivering their 1925 crop of tobacco, and in this connection pointed out that the president of the association following its passage sold his crop of approximately 400,000 pounds of tobacco in the open market. In view of this resolution, the court held that it operated to release members of the association from delivering their 1926 as well as their 1925 crop of tobacco.

At the time the association was formed it entered into a five-year contract with its members under which they were required to deliver the tobacco produced by them to the association for marketing during the years 1922 to 1926, inclusive. A provision in the contract authorized the deduction of money for the retirement of one-fifth of the preferred

stock of the subsidiary warehousing corporations each year. The court held that to require the delivery of the 1926 crop of tobacco "would result in throwing upon it a burden not in contemplation of the parties at the time the contract was made." This conclusion was based principally on the fact that it would increase the deductions from the 1926 crop for the retirement of preferred stock of the subsidiary warehouse corporations over what they would have been if the 1925 crop had not been released. The association also underwrote bonds and notes of the subsidiary corporations which were issued for the purpose of assisting in their financing. It appeared that the association was employing the proceeds derived from the sale of tobacco which it had on hand delivered by members in 1922, 1923, and 1924 for the purpose of paying the notes and bonds of the subsidiary corporations although no provision was contained in the marketing contract authorizing deductions for this purpose. In view of this fact the court was of the opinion that the association was not authorized to employ the proceeds derived from the sale of the tobacco which it had on hand for meeting the notes and bonds of the subsidiary corporations, because it operated to reduce the net returns which the growers of this tobacco would receive. The court concluded his opinion with these words:

The court feels that he should not conclude without voicing the hope that the present unhappy controversy will not mark the end of cooperative marketing in the Black Patch. The court is satisfied that but for the cooperative handling of crops in 1922, 1923 and 1924, the growers in and out of the pool would have realized much less for their tobacco than they have already received, if the members never get another penny out of those crops.

The plan appears sound, and with proper cooperation it should succeed. Along these lines the farmers must work out their own salvation, and if the experiences gained through the last four years serve no other purpose than to point the way to a more perfect cooperation in the future, the labor of those who have given so unselfishly of their time and means to make the cooperative marketing of tobacco a success will not have been in vain.

L. S. Hulbert.

REPORTED BY THE ASSOCIATIONS

Orders for 15 car loads of steel posts, barbed wire, nails, etc., were received recently by the Farmers' Union State Exchange, Omaha, from Farmers' Union grain elevators, cooperative stores, and cooperative associations.

An agreement has been entered into by the recently formed South Park Hay Growers' Association, Colorado, and the Denver hay brokers whereby prices of hay are determined by a joint committee made up of representatives from the two groups. This association of 38 ranchers is engaged in the marketing of mountain hay.

Seven wool grading demonstrations and membership meetings were held by representatives of the Pacific Cooperative Wool Growers, Portland, Oregon, during the last week in October. About 300 wool growers and others attended the meetings. Some of the growers brought their grade sheets and had them explained in detail. Other meetings of a similar nature are being scheduled.

A resolution was adopted at the annual national convention of the Farmers' Educational and Cooperative Union of America, held at Hot Springs, Ark., November 16 to 20, 1926, directing that a producers' marketing contract be drafted and that the local associations be federated, with the ultimate object of establishing national sales agencies for handling farm products.

Nine thousand tons of fertilizer was purchased and distributed in 1926 by the Agricultural Societies United of the Province of New Brunswick, at an average rate of \$49 per ton. The association was organized in 1914 for the purpose of buying and distributing fertilizer chemicals among the various agricultural associations. Substantial rebates have resulted from the reduction of overhead costs and the farmers are very appreciative of the services rendered. Orders are now being taken for 1927 supplies.

Because of the fact that the Indiana Dairy Marketing Association, Muncie, Ind., could supply milk from accredited tuberculosis-free herds, it was able to secure a market in Chicago for all its surplus milk the past season. Having this market enabled the association to increase the volume of milk very materially, and the quantity handled so far this season has been about 160,000 gallons per month, at prices approximately 30 cents per hundred above former prices. The association is discharging its indebtedness for plant and equipment and rapidly extending the scope of its operations.

LAST ISSUE OF AGRICULTURAL COOPERATION FOR 1926

This is the last issue of Agricultural Cooperation for 1926. An index of the 26 numbers making up Volume IV is in preparation and will be ready for distribution early in 1927. Copies of the index will be mailed to readers of the circular located in foreign countries. Other persons desiring copies should make request to the Division of Cooperative Marketing, Department of Agriculture, Washington, D. c.

-----0-----

NEW DEPARTMENT CIRCULAR TO AID COOPERATIVES

"Business Set-Up of a Cooperative Marketing Association" is described in U. S. Department of Agriculture Circular 403, just issued. The main headings of the circular are as follows: Type of organization, membership relations, financing, management, selling program. The circular consists of 13 pages of text. Copies may be procured from the Division of Cooperative Marketing, U. S. Department of Agriculture, Washington, D. C.

-----0-----

EGG PRODUCERS' START HOUSE ORGAN

A tiny new house organ called "The Cackler" appeared November 15 as the official publication of the Pacific Egg Producers Cooperative, Inc., New York City. The little leaflet is printed in brown on buff paper and illustrated. It tells of the achievements of the PEP organization, which it assures the readers is composed of the men who feed the hens, gather the eggs, raise the feed, clean the perches, etc. The publication is sent to customers and prospective customers for PEP eggs.

-----0-----

NEBRASKA HAS SHORT COURSE IN COOPERATION

A Short Course in Cooperation for the benefit of the farmers of Nebraska was held at the Nebraska College of Agriculture for three days beginning November 30, under the immediate direction of the department of rural economics of the State College. The general topics of the six sessions were as follows: Essentials of cooperation, Marketing grain cooperatively, Marketing livestock cooperatively, Cooperative marketing of poultry and eggs, Marketing dairy products, and The outlook for cooperation. The specific topics covered history, theory and practice. Special phases of the movement were presented by a number of speakers.

SELECTED LIST OF PUBLICATIONS AND ARTICLES

- Bishop, George. Who Makes the Price of Cotton? Oklahoma Cotton Grower, Oklahoma City, November 10, 1926, p. 1.
- Building-Stones of Cooperation: Statements of Principles by Sixty Leaders of Thought in the Cooperative Field. Symposium compiled by American Farm Bureau Federation. Chicago, December, 1926, 14 p.
- Capper, Arthur. Pool Argument is Sound: Canadian Farmers are Doing What U. S. Farmers are Talking About. South Dakota Wheat Grower, Aberdeen, December 1, 1926, p. 6.
- Christensen, Chris L. Federal Activities in the Cooperative Marketing Field. California Citrograph, Los Angeles, December, 1926, p. 43.
- Francis, Gerald M. Financial Management of Farmers' Elevator Companies. A. W. Shaw Company, Chicago, 1926.
- Hood, Robin. Duties of Directors of Cooperatives. The Southern Planter, Richmond, October 1, 1926, p. 25.
- Lewis, R. F. Membership Attitudes and Relations. Dairymen's League News, New York City, December 3, 1926, p. 11
- Lowden, Frank O. Denmark's Place in Agriculture: No. 2. How the Danes Apply the Cooperative Idea in Handling Pork Products. The Farmer, St. Paul, November 20, 1926, p. 3; No. 3. Development of the Farm, not Expansion, Is Ambition of the Danes. The Farmer, St. Paul, December 4, 1926, p. 13.
- Macklin, Theodore. What New Zealand and Denmark Teach Us About Cooperative Marketing. Oklahoma Cotton Grower, Oklahoma City, August 10, 1926, p. 4; and November 25, 1926, p. 4.
- No Argument. Editorial. Western Producer, Saskatoon, Saskatchewan, November 18, 1926, p. 4.
- Rubinow, S. G. Flagging Cooperative Marketing Failures: How to Avoid the Pitfalls and Chuck Holes. Successful Farming, Des Moines, December, 1926, p. 13.
- Taylor, H. G. Cooperation Solves Transportation Problems. Nebraska Wheat Grower, Hastings, Nebr., December 1, 1926, p. 3.

IN THIS ISSUE

	<u>Page</u>
Statistical studies:	
Shifts in cooperative activity.....	501
Dairy products:	
New York cheese association pays dividend.....	503
Toronto creamery pays patronage dividend.....	503
Michigan Milk Producers have substantial reserve.....	503
Cooperative milk marketing in Cleveland.....	504
Heavier sales for Danish Creamery (Calif.).....	504
Special committee reports on Land O'Lakes Creameries.....	505
Grain:	
Farmers' terminal sales agency at Enid, Okla.....	506
Increased business for Indiana wheat growers.....	506
Fruits and vegetables:	
Yakima apple growers close pre-season pools.....	507
Twenty canning plants for Indiana cooperators.....	507
South African Fruit Exchange reorganized.....	507
Cotton:	
Arkansas growers signing new cotton contract.....	508
Peruvian cotton growers may organize.....	508
Texas Cotton Association to make December payment.....	508
Poultry products:	
Connecticut poultry producers increase business.....	509
Purchasing:	
Indiana Farm Bureau purchases many supplies.....	510
Foreign:	
Queensland Producers planning to reorganize.....	511
One of Denmark's early cooperatives.....	511
Large business reported by British cooperatives.....	512
Business practices:	
State cooperative law provides for audits.....	513
Legal:	
Officers have no inherent powers.....	514
Oklahoma court renders important decision.....	515
Receivers denied for Dark Tobacco Association.....	515
Miscellaneous:	
Reported by the associations.....	517
Last issue of Agricultural Cooperation for 1926.....	518
Egg producers start house organ.....	518
New department circular to aid cooperatives.....	518
Nebraska has short course in cooperation.....	518
Publications:	
Selected list of publications and articles.....	519